

**Manning Municipal Light Plant
Independent Auditor's Report
Basic Financial Statements
Supplemental Information
Schedule of Findings**

December 31, 2010 and 2009

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**Manning Municipal Light Plant
Officials
December 31, 2010**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Rasmussen	Trustee	December 31, 2016
Lynn Stein	Trustee	December 31, 2011
Kirk Huehn	Trustee	December 31, 2012
Rick Lohrmann	Trustee	December 31, 2013
Duane Monson	Trustee	December 31, 2014
Kent Hilsabeck	Manager	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 4, 2011

Independent Auditor's Report

Lonnie G. Muxfeldt
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Accountant

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To the Board of Trustees
Manning Municipal Light Plant
Manning, IA 51455

I have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of the Manning Municipal Light Plant (a municipal utility) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Manning Municipal Light Plant's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

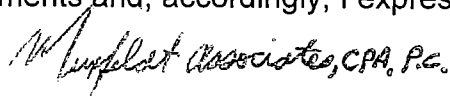
March 4, 2011
Manning Municipal Light Plant
Independent Auditor's Report

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2010 and the respective changes in financial position and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* I have also issued my report dated March 4, 2011 on my consideration of the Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Light Plant's basic financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financials statements taken as a whole. Information in Schedule 4 has not been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, accordingly, I express no opinion on it.

 Murphy & Associates, CPA, P.C.

**Manning Municipal Light Plant
Management's Discussion and Analysis
December 31, 2010**

The management of Manning Municipal Light Plant offers this narrative overview and analysis of the financial activities of the Utility for the year ended December 31, 2010. Management encourages readers to consider this information in conjunction with the Utility's financial statements, which follow.

2010 Financial Highlights

Operating revenue increased by 6.7%, or approximately \$130,000, from calendar years 2009 to 2010.

Operating expenses increased by 9.5%, or approximately \$191,000, from calendar years 2009 to 2010.

Net assets decreased by 0.5%, or approximately \$29,000, from calendar years 2009 to 2010.

Cash increased by 4% or approximately \$94,000 from calendar years 2009 to 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Utility's basic financial statements. The Utility's statements consist of 1) basic financial statements, 2) notes to the financial statements, and 3) supplemental information.

The financial statements consist of a Balance Sheet, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These financial statements provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other supplemental information provides schedules of capital assets and accumulated depreciation, investments and interest income, comparative operating expenses and statistical data.

Financial Analysis of the Utility

The analysis that follows focuses on the balance sheet classes and changes in the net assets for this business type activity.

Balance Sheet December 31, 2010 and 2009

Business Type Activity - Enterprise Fund

	Year Ended	
	12/31/10	12/31/09
Current assets	\$ 2,919,695	\$ 2,838,098
Capital assets	3,159,227	3,435,938
Other assets	1,352,644	1,287,508
Total assets	\$ <u>7,431,566</u>	\$ <u>7,561,544</u>
Current liabilities	\$ 325,534	\$ 311,371
Non-current liabilities	1,180,000	1,295,000
	\$ <u>1,505,534</u>	\$ <u>1,606,371</u>
Net assets:		
Invested in capital assets, net of debt	\$ 1,833,059	\$ 2,030,938
Restricted	195,420	194,320
Unrestricted	3,897,553	3,729,915
Total net assets	\$ <u>5,926,032</u>	\$ <u>5,955,173</u>

Current assets constitute 39% of total assets and exceed current liabilities by nine to one, a healthy working capital ratio. Capital assets constitute 43% of total assets and represent the cost of infrastructure, buildings and equipment and is reported net of accumulated depreciation. Other assets constitute 18% of total assets and consist of 1) deferred patronage from WIMECA, 2) the long term portion of notes receivable from the City of Manning, the Manning Municipal Cable and Television System Utility and the Manning Betterment Foundation, and 3) deferred discount fees.

Non-current liabilities decreased by 9%. Net assets exceed total liabilities by four to one, indicating a healthy debt to equity ratio. Unrestricted net assets represents net surplus for operations and net assets not restricted by loan covenants, enabling legislation or constitutional provisions. Net assets decreased by 0.5% for the year ended December 31, 2010.

Changes in Net Assets
December 31, 2010 and 2009

Business Type Activity - Enterprise Fund

	<u>Year Ended</u>	
	<u>12/31/10</u>	<u>12/31/09</u>
Revenues:		
Charges for services	\$ 2,065,003	\$ 1,934,829
Miscellaneous income	551	-0-
Interest income	42,656	76,227
Rental income	170,899	171,960
Member charge refunds	35,907	80,709
WIMECA dividends	121,218	162,624
Total revenues	<u>2,436,234</u>	<u>2,426,349</u>
Operating expenses:		
Production	1,677,141	1,520,771
Distribution	284,173	264,468
Accounting and collection	51,075	44,327
Administrative and general	192,910	184,647
Total operating expenses	<u>2,205,299</u>	<u>2,014,213</u>
Revenues over operating expenses	230,935	412,136
Other expenses:		
Amortization	1,127	1,127
Depreciation - comm. infrastructure	139,473	139,473
Interest expense	76,756	81,688
Community contributions	42,720	45,873
Total other expenses	<u>260,076</u>	<u>268,161</u>
Increase (decrease) in net assets	(29,141)	143,975
Net assets, beginning of year	<u>5,955,173</u>	<u>5,811,198</u>
Net assets, end of year	\$ <u>5,926,032</u>	\$ <u>5,955,173</u>

Total revenue increased by 0.4% or approximately \$9,900 from the prior year with major changes as follows: 1) Electric rates were increased by 10% effective April 1, 2010, and 2) interest and dividend income and member refunds decreased significantly from 2009 to 2010. Operating expenses increased by 9.5% or approximately \$191,000 primarily due to an 11% or approximately \$156,000 increase in purchased electricity.

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, vehicles, electric lines, other infrastructure and construction work in process. Changes in capital assets for the year ended December 31, 2010 are as follows:

		<u>2010</u>
Capital assets, beginning of year	\$	7,561,407
Additions		20,675
Retirements		-0-
Capital assets, end of year	\$	<u>7,582,082</u>
Less: accumulated depreciation		<u>4,454,023</u>
		3,128,059
Construction work in process		31,168
Net capital assets	\$	<u><u>3,159,227</u></u>

Additions to capital assets included improvements to underground distribution, reroofing the shop, and the capitalization of engineering and legal fees associated with the diesel generation plant. Depreciation charged against revenue was \$328,554.

Long-Term Debt

At December 31, 2010, the Utility had \$1,295,000 in long-term debt outstanding for business type activities. The Utility retired \$110,000 of bonds, expensed \$76,756 of interest, and did not issue any revenue bonds during the year ended December 31, 2010.

Future Financial Statement Impact

In May 2010, the Board of Trustees committed to the construction of a diesel generation plant at a projected cost of \$3,778,000 as follows:

Generator	\$	1,468,633
Switchgear		490,000
Construction		1,354,500
Contingencies and legal		184,867
Engineering and permitting		280,000
Total project estimate	\$	<u><u>3,778,000</u></u>

The project will be financed in part by the issuance of \$4,450,000 Electric Revenue Capital Loan Notes, Series 2011 which will also refund outstanding Electric Revenue Bonds, Series 1999. Projected completion date is December 31, 2011.

Requests for Information

Requests for additional information can be made to the Manning Municipal Light Plant's manager, Kent Hilsabeck, 719 Third Street, Manning, Iowa 51455.

Basic Financial Statements

Exhibit A

**Manning Municipal Light Plant
Balance Sheets
December 31, 2010 and 2009**

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Unrestricted		
Cash	\$ 537,643	\$ 295,766
Accounts receivable - customers net of allowance for doubtful accounts	253,097	233,603
Interest receivable	16,910	24,659
Accounts receivable - other	2,174	47,598
Inventory	88,617	87,544
Prepaid expenses	12,720	7,446
Municipal notes receivable - current portion	25,000	25,000
Foundation note receivable - current portion	14,955	-0-
Investments	<u>1,773,159</u>	<u>1,922,162</u>
Total unrestricted current assets	2,724,275	2,643,778
Restricted		
Customer deposits	6,100	5,000
Investments	<u>189,320</u>	<u>189,320</u>
Total restricted current assets	195,420	194,320
Total current assets	2,919,695	2,838,098
Capital assets		
Telecommunication infrastructure	2,337,118	2,337,118
Production	1,193,307	1,193,307
Transmission	8,754	8,754
Distribution	3,549,705	3,537,561
General	<u>493,198</u>	<u>484,667</u>
	7,582,082	7,561,407
Less accumulated depreciation	<u>4,454,023</u>	<u>4,125,469</u>
	3,128,059	3,435,938
Construction work in process	<u>31,168</u>	-0-
Net capital assets	3,159,227	3,435,938
Other Assets		
Deferred patronage - WIMECA	944,966	823,748
Municipal notes receivable, net of current portion	345,000	385,000
Foundation note receivable, net of current portion	53,100	68,055
Underwriter's discount fees - net of accumulated amortization	<u>9,578</u>	<u>10,705</u>
	1,352,644	1,287,508
Total assets	\$ <u>7,431,566</u>	\$ <u>7,561,544</u>

See accompanying notes to financial statements

Exhibit A
Continued

Manning Municipal Light Plant
Balance Sheets
December 31, 2010 and 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities		
Payable from unrestricted current assets:		
Accounts payable	\$ 158,729	\$ 151,948
Payroll taxes payable	6	4,206
Salaries, vacation, and sick leave payable	37,058	31,376
Sales tax payable	2,711	2,439
Total payables from unrestricted current liabilities	198,504	189,969
Payable from restricted current liabilities:		
Current portion of bonds payable	115,000	110,000
Accrued interest payable	5,930	6,402
Customer deposits	6,100	5,000
Total payables from restricted current liabilities	127,030	121,402
Total current liabilities	325,534	311,371
Bonds payable, net of current portion	1,180,000	1,295,000
Total liabilities	1,505,534	1,606,371
Net Assets		
Invested in capital assets, net of related debt	1,833,059	2,030,938
Restricted for:		
Principal and interest reserve	189,320	189,320
Customer deposits	6,100	5,000
Unrestricted	3,897,553	3,729,915
Total net assets	5,926,032	5,955,173
Total liabilities and net assets	\$ 7,431,566	\$ 7,561,544

See accompanying notes to financial statements

Exhibit B

**Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Net Assets
For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Sale of electricity		
Residential	\$ 631,994	\$ 555,595
Small commercial	175,984	146,076
Industrial	837,103	859,036
Large commercial	395,055	352,377
Street lights	16,934	17,913
Total sale of electricity	<u>2,057,070</u>	<u>1,930,997</u>
Other operating revenues		
Forfeited discounts	1,937	1,741
Merchandise sales, net of cost	1,370	309
Connection fees	580	147
Miscellaneous income	4,046	1,635
Total other operating revenue	<u>7,933</u>	<u>3,832</u>
Total operating revenue	2,065,003	1,934,829
Operating Expenses		
Production	1,677,141	1,520,771
Distribution	284,173	264,468
Accounting and collection	51,075	44,327
Administration and general	192,910	184,647
Total operating expenses	<u>2,205,299</u>	<u>2,014,213</u>
Net operating income	(140,296)	(79,384)

See accompanying notes to financial statements

Exhibit B
Continued

Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Non-operating Revenues (Expenses)		
Interest income	\$ 42,656	\$ 76,227
Rental income	170,899	171,960
Junk sales	551	-0-
Amortization expense - bond fees	(1,127)	(1,127)
Member charge refunds	35,907	80,709
WIMECA dividends	121,218	162,624
Interest expense	(76,756)	(81,688)
Depreciation expense - communication infrastructure	(139,473)	(139,473)
Contribution - payment in lieu of taxes	(22,000)	(23,000)
Contribution - main street project	(4,000)	(2,000)
Contribution - various projects	(560)	(2,235)
Contribution - economic development	(15,000)	(15,000)
Contribution - housing rehabilitation	(1,160)	(3,638)
Total non-operating revenues (expenses)	<u>111,155</u>	<u>223,359</u>
Changes in net assets	(29,141)	143,975
Net assets, beginning of year	<u>5,955,173</u>	<u>5,811,198</u>
Net assets, end of year	\$ <u>5,926,032</u>	\$ <u>5,955,173</u>

See accompanying notes to financial statements

Exhibit C

Manning Municipal Light Plant
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 2,037,576	\$ 1,884,942
Cash received from other revenues	18,357	3,832
Cash paid to suppliers	(1,568,311)	(1,460,689)
Cash paid for personal services	(226,371)	(187,659)
Cash paid to employees	(184,348)	(186,438)
Net cash provided (used) by operating activities	<u>76,903</u>	<u>53,988</u>
Cash Flows From Noncapital Financing Activities:		
Miscellaneous contributions	(1,720)	(5,873)
Miscellaneous income	551	-0-
Change in customer deposits	<u>1,100</u>	<u>1,200</u>
Net cash provided (used) for capital and related financing activities	(69)	(4,673)
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(51,843)	(49,445)
Interest paid on bonds	(77,228)	(82,130)
Principal paid on bonds	<u>(110,000)</u>	<u>(105,000)</u>
Net cash provided (used) by capital and related financing activities	(239,071)	(236,575)
Cash Flows From Investing Activities:		
Principal received on notes	40,000	46,840
Member charge refunds	35,907	80,709
Interest on investments	50,405	78,753
Contributions - economic development	(41,000)	(40,000)
Rental income	<u>170,899</u>	<u>171,960</u>
Net cash provided (used) by investing activities	256,211	338,262
Net increase (decrease) in cash	93,974	151,002
Cash, Beginning of year	<u>2,412,248</u>	<u>2,261,246</u>
Cash, End of year	\$ <u>2,506,222</u>	\$ <u>2,412,248</u>

See accompanying notes to financial statements

Exhibit C
Continued

Manning Municipal Light Plant
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating Income (loss)	\$ (140,296)	\$ (79,384)
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	189,081	191,043
Net (increase) decrease in:		
Accounts receivable - customers	(19,494)	(46,055)
Accounts receivable - other	45,424	(45,683)
Inventories	(1,073)	14,106
Prepaid expenses	(5,274)	3,526
Net increase (decrease) in:		
Accounts payable	6,781	12,149
Sales tax payable	272	158
Salaries payable	5,682	(74)
Payroll taxes payable	(4,200)	4,202
Net cash provided by operating activities	\$ <u>76,903</u>	\$ <u>53,988</u>
Reconciliation of cash and cash equivalents at		
year end to specific assets included on the		
Balance Sheet		
Current assets:		
Cash and pooled investments	\$ 2,310,802	\$ 2,217,928
Restricted assets:		
Cash and pooled investments:		
Principal & interest reserve	189,320	189,320
Customer deposits	6,100	5,000
Cash and cash equivalents end of year	\$ <u>2,506,222</u>	\$ <u>2,412,248</u>

See accompanying notes to financial statements

Notes to Financial Statements

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Manning Municipal Light Plant is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Light Plant is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board (GASB) criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

B. Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: Manning Municipal Communication and Television System Utility, Manning Betterment Foundation, the Western Iowa Municipal Electric Cooperative Association, and Manning Economic Development Corporation.

C. Nature of Business

Formed as an Electric Utility in 1934, the Manning Municipal Light Plant distributes electricity to the residents and businesses of Manning, Iowa. The Utility's revenues are dependent upon the economic condition of its residential, commercial, industrial and municipal customers.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund of the Electric Utility applies all applicable Governmental Accounting Standards Board (GASB) pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. The principal operating revenues of the Electric Utility are charges to customers for sales and services. Operating expenses for the Electric Utility include production, distribution, accounting and collection, and administrative and general expenses including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Electric Utility maintains its accounting records on the basis of cash receipts and disbursements. For financial reporting purposes, accruals are recorded in conformity with U.S. generally accepted accounting principles.

The Balance Sheet presents the Electric Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those capital assets.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Restricted net assets result when constraints placed on the use of net assets are externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the criteria of the two preceding categories. Unrestricted net assets often have constraints on resources that management can impose, remove or modify.

E. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis for its calendar year ending December 31st. The budget of the Utility is then incorporated with the City of Manning's cash basis budget for the fiscal year ending the following June 30th. The combined budget is then approved by City Council following the required public notice and hearing. The budgetary comparison and related disclosures are reported as part of the basic financial statements rather than as Required Supplementary Information.

F. Cash and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposit. For purposes of the Statement of Cash Flows, the Electric Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

G. Accounts Receivable

Accounts receivable are presented at their net realizable values. The allowance for doubtful accounts is \$-0- at December 31, 2010 and 2009. The Light Plant participates in the State of Iowa Income Offset Program for the collection of past due accounts.

Customer meters are read the 1st of the month. Customers are billed by the 10th of the month. Bills are due by the end of the month. Penalties accrue at 1.5% of the total bill thereafter. Delinquent customers have twelve days after receiving a disconnect notice to make payment or arrangements for payment. Disconnection of services may include water.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Plant and property	20 - 33 years
Office and other equipment	5 - 25 years
Transportation equipment	3 - 10 years
Telecommunication infrastructure	10 - 40 years

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments that materially extend the life of the asset are capitalized.

I. Customer Deposits

Meter deposits of \$100 are collected from new customers before electric service begins. Customers in good standing get a deposit refund after six months. Delinquent customers forfeit the deposit.

J. Underwriter's Discount - Bond Fees

The underwriter's discount bond fees are stated at their original cost less any accumulated amortization. The underwriter's discount of \$22,538 occurred in 1999 as a result of the issuance of the Electric Revenue Bonds, Series 1999. The underwriter's discount is being amortized over the twenty year life of the bonds.

K. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(2) Cash and Investments

The Utility Board's deposits in banks at December 31, 2010 and 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No 40.

The Utility's cash and investments at December 31, 2010 and 2009 are as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
December 31, 2010			
Unrestricted	\$ 537,643	\$ 1,773,159	\$ 2,310,802
Restricted	6,100	189,320	195,420
	<u>\$ 543,743</u>	<u>\$ 1,962,479</u>	<u>\$ 2,506,222</u>
December 31, 2009			
Unrestricted	\$ 295,766	\$ 1,922,162	\$ 2,217,928
Restricted	5,000	189,320	194,320
	<u>\$ 300,766</u>	<u>\$ 2,111,482</u>	<u>\$ 2,412,248</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(3) Deferred Patronage Dividends

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its member municipal electric utilities of Anthon Aurelia, Hinton, Manning, Mapleton and Onawa, Iowa. WIMECA purchases all of its power from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or the value assigned by WIMECA. Deferred patronage dividends are recorded as an asset in the year to which they apply.

Deferred Patronage - WIMECA, Dec. 31, 2009	\$	823,748
Less: Patronage paid in cash		-0-
Add: 2010 Dividends Declared - Deferred		121,218
Deferred Patronage - WIMECA, Dec. 31, 2010	\$	<u>944,966</u>

(4) Restricted Assets

The Board of Trustees established by resolution, various reserve account funds to accumulate surplus net revenue for the following purposes:

	<u>2010</u>	<u>2009</u>
Customer Deposits - Cash	\$ 6,100	\$ 5,000
Principal & Interest Reserve - Certificates of Deposit	<u>189,320</u>	<u>189,320</u>
	\$ <u>195,420</u>	\$ <u>194,320</u>

(5) Major Customer

Ag Processing, a local soybean processing plant, purchased electricity totaling \$837,103 and \$859,036 in 2010 and 2009, respectively, which represented 40.8% and 44.5% of total sales each year.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(6) Power Purchase Contract

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide a steady supply of electricity. In May 2009, an amendment to the contract extended the terms of the agreement till January 1, 2013. Beginning January 1, 2011, however, the terms of the agreement will automatically be extended each year for one additional year, unless one of the parties delivers a notice of intention to terminate before the extension date.

(7) Contract Rates of Delivery for Firm Power

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season differs from the rate for firm power during the summer season. A new CROD was agreed upon for the period from January 1, 2006 through December 31, 2014.

(8) Pension and Retirement Benefits

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Through June 30, 2010, plan members were required to contribute 4.3% of their annual covered salary and the Utility was required to contribute 6.65% of annual covered payroll. Effective July 1, 2010, the IPERS rates changed and plan members contributed 4.5% of their annual covered salary and the Utility contributed 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the years ended December 31, 2010 and 2009 were \$12,535 and \$11,003, respectively, equal to the required contributions for each year.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(9) Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$1,209 for family coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2010, the Utility contributed \$52,240 and plan members eligible for benefits contributed \$5,804, 90 percent and 10 percent, respectively.

(10) Related Party Transactions

<u>City of Manning Note</u>	<u>2010</u>	<u>2009</u>
Interdepartmental note receivable from the City of Manning in the amount of \$175,000. The funds advanced to the City financed street repairs. The City agreed to make annual principal payments of \$25,000 due October 1, 2009 through 2014. The interest rate for the first year was 3.75%. Thereafter, the interest rate is adjusted each October 1 st to 1% higher than the interest rate offered on a twelve month certificate of deposit by the Templeton Savings Bank. The interest rate on October 1, 2010 was 2.55%.	\$ 75,000	\$ 115,000

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(10) Related Party Transactions (Continued)

<u>MMCTSU Note</u>	<u>2010</u>	<u>2009</u>
Note receivable from the Manning Municipal Communications and Television System Utility for the broadband communications system. The interest rate is adjusted on July 15 th each year to a rate which is 1% higher than that offered by Templeton Savings Bank on a twelve month certificate of deposit. The interest rate on July 15, 2010 was 2.55%. Interest does not accrue on the unpaid interest balance, there are no required principal payments, and payments of principal and interest may not exceed \$100,000 per year. In 2004, The Manning Municipal Light Plant forgave \$200,000 of this note.	\$ 295,000	\$ 295,000
Less: current portion	<u>25,000</u>	<u>25,000</u>
Long-term portion	\$ <u>345,000</u>	\$ <u>385,000</u>

The Utility leases an area of City Hall from the City of Manning through an oral lease agreement. Rent expense charged to operations on this facility for 2010 and 2009 were \$6,000 each year.

The Utility had business transactions between the Utility and Utility officials totaling \$1,515 during the year ended December 31, 2010.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(11) Note Receivable - Betterment Foundation

<u>Manning Betterment Foundation</u>	<u>2010</u>	<u>2009</u>
Unsecured note receivable from the Manning Betterment Foundation for \$100,000, dated July 28, 2003. The terms of the note were modified to include semiannual interest payments at 4% from July 28, 2009 through July 28, 2011. Thereafter, principal and interest payments of \$8,337 are due semiannually with final payment due on July 28, 2016. The rate of interest is subject to change throughout the loan period. The interest rate at July 28, 2010 is 4.0%	\$ 68,055	\$ 68,055
Less: current portion	<u>14,955</u>	<u>-0-</u>
Long-term portion	\$ <u>53,100</u>	\$ <u>68,055</u>

(12) Bonds Payable

On August 17, 1999, the Utility issued \$2,260,000 of Electric Revenue Bonds, Series 1999, under the provisions of Chapter 384 of the Code of Iowa. The bonds are not general obligations of the City of Manning, but are payable from and secured by a pledge of future net revenues of the Electric Utility. Principal payments are due annually on December 1 and interest payments due semi-annually on June 1 and December 1 of each year. The provisions of the bond covenants require the Electric Utility to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest debt service requirements of the Bonds in the amount of \$189,320. The Reserve Fund consists of certificates of deposit.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009

(12) Bonds Payable (Continued)

Future scheduled maturities of long-term bonds payable are as follows:

<u>December 1,</u>	<u>Rate</u>	<u>Amount</u>
2011	5.25%	\$ 115,000
2012	5.30%	120,000
2013	5.35%	130,000
2014	5.40%	135,000
2015	5.60%	140,000
2016	5.60%	150,000
2017	5.60%	160,000
2018	5.60%	170,000
2019	5.60%	175,000
		<u>1,295,000</u>
Less current portion		(115,000)
		<u>\$ 1,180,000</u>

(13) Loan Guarantee

In 1998, the Manning Betterment Foundation obtained a \$100,000 loan from Northwest Iowa Power Cooperative's Revolving Loan Fund. The Manning Municipal Light Plant is guarantor on the Betterment Foundation's loan to Western Iowa Municipal Electric Cooperative Association (WIMECA) and to Northwest Iowa Power Cooperative (NIPCO). In the event of default on this loan, Manning Municipal Light Plant will repay the loan. Manning Betterment Foundation is current on its loan payments to NIPCO.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(14) Compensated Absences

Vacation Payable

Light Plant employees accumulated vacation hours for use each year between anniversary dates of employment. Employees can accumulate up to 10 days of vacation that can transfer over to the following year in the event that available vacation is not used by the end of the benefit year. At no time can an employee carry over more than 10 days of vacation time to the subsequent benefit year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment at their current rate of pay. The accrued vacation payable at December 31, 2010 and 2009 is \$4,465 and \$3,268, respectively.

Sick Leave Payable

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. Unused sick leave benefits are paid to employees upon termination of employment at the rate in which they were earned but only after 24 sick leave days have accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore, an employee would have to work at the Utility for 4 years before the employee would be eligible to be paid for sick leave upon termination. The accrued sick leave payable at December 31, 2010 and 2009 is \$28,071 and \$26,073, respectively.

(15) Risk Management

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(16) Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility (MMCTSU) entered into a joint use agreement in regards to the communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communication Utility has been granted the right to use the distribution system, the head-end building, and the Municipal building for a term of twenty-five years. Per terms of the agreement, the Communication Utility will pay \$170,849 annually for twenty-five years with the first payment required on June 30, 2002. MMCTSU postponed the June 30, 2008 payment until June 30, 2027.

(17) Budgetary Comparison

The Manning Municipal Light Plant prepares its budget annually on an accrual basis of accounting. Disbursements may not legally exceed budgeted appropriations at the functional level. Actual disbursements for the year ended December 31, 2010 did not exceed the final statutory budget.

<u>Business type activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues	\$ <u>2,302,322</u>	\$ <u>2,436,234</u>	\$ <u>133,912</u>
Disbursements	\$ <u>2,578,709</u>	\$ <u>2,465,376</u>	\$ <u>113,333</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2010 and 2009**

(18) Commitments

In May 2010, the Utility committed to the construction of a new diesel generation plant at an estimated cost of \$3,778,000 as follows:

Generator	\$	1,468,633
Switchgear		490,000
Construction		1,354,500
Contingencies and legal		184,867
Engineering and permitting		280,000
Total project estimate	\$	<u>3,778,000</u>

The project will be financed by the issuance of \$4,450,000 Electric Revenue Capital Loan Notes, Series 2011 which will also refund outstanding Electric Revenue Bonds, Series 1999. Projected completion date is December 31, 2011.

Costs accumulated through December 31, 2010 are summarized as follows:

Engineering	\$	26,278
Legal		4,647
Capitalized wages		243
Total construction work in process	\$	<u>31,168</u>

SUPPLEMENTAL INFORMATION

Schedule 1

Manning Municipal Light Plant
Summary of Utility Plant and Accumulated Depreciation

	Property, Plant and Equipment			
	January 1, 2010	Additions	Deletions	Dec. 31, 2010
PRODUCTION				
Land	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Structures and improvements	134,169	-0-	-0-	134,169
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	200,800	-0-	-0-	200,800
Accessory electric equipment	847,338	-0-	-0-	847,338
	<u>1,193,307</u>	<u>-0-</u>	<u>-0-</u>	<u>1,193,307</u>
TRANSMISSION				
Poles	8,754	-0-	-0-	8,754
DISTRIBUTION				
Poles and fixtures	3,706	-0-	-0-	3,706
Overhead conductors	5,757	-0-	-0-	5,757
Underground conductors	2,228,102	4,625	-0-	2,232,727
Line transformers	656,673	-0-	-0-	656,673
Services	254,290	5,786	-0-	260,076
Meters	48,184	1,733	-0-	49,917
Street lighting	340,849	-0-	-0-	340,849
	<u>3,537,561</u>	<u>12,144</u>	<u>-0-</u>	<u>3,549,705</u>
GENERAL				
Structures - garage	40,435	7,835	-0-	48,270
Office furniture and equipment	94,772	696	-0-	95,468
Transportation equipment	231,299	-0-	-0-	231,299
Communication equipment	4,687	-0-	-0-	4,687
Miscellaneous equipment	113,474	-0-	-0-	113,474
	<u>484,667</u>	<u>8,531</u>	<u>-0-</u>	<u>493,198</u>
TELECOMMUNICATIONS				
Infrastructure	<u>2,337,118</u>	<u>-0-</u>	<u>-0-</u>	<u>2,337,118</u>
Totals	<u>\$ 7,561,407</u>	<u>\$ 20,675</u>	<u>\$ -0-</u>	<u>\$ 7,582,082</u>

Schedule 1
(Continued)

	Accumulated Depreciation			
	January 1, 2010	Additions	Deletions	Dec. 31, 2010
PRODUCTION				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Structures and improvements	65,961	4,718	-0-	70,679
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	175,976	5,176	-0-	181,152
Accessory electric equipment	798,854	17,491	-0-	816,345
	<u>1,043,291</u>	<u>27,385</u>	<u>-0-</u>	<u>1,070,676</u>
TRANSMISSION				
Poles	1,586	438	-0-	2,024
DISTRIBUTION				
Poles and fixtures	1,716	185	-0-	1,901
Overhead conductors	3,385	287	-0-	3,672
Underground conductors	574,357	111,285	-0-	685,642
Line transformers	399,795	18,555	-0-	418,350
Services	212,020	3,267	-0-	215,287
Meters	15,589	2,452	-0-	18,041
Street lighting	245,799	10,147	-0-	255,946
Load management under-ground conductor	-0-	-0-	-0-	-0-
	<u>1,452,661</u>	<u>146,178</u>	<u>-0-</u>	<u>1,598,839</u>
GENERAL				
Structures - garage	36,470	1,099	-0-	37,569
Office furniture and equipment	55,234	6,762	-0-	61,996
Transportation equipment	231,299	-0-	-0-	231,299
Communication equipment	4,379	130	-0-	4,509
Miscellaneous equipment	85,489	7,089	-0-	92,578
	<u>412,871</u>	<u>15,080</u>	<u>-0-</u>	<u>427,951</u>
TELECOMMUNICATIONS				
Infrastructure	1,215,060	139,473	-0-	1,354,533
Totals	<u>\$ 4,125,469</u>	<u>\$ 328,554</u>	<u>\$ -0-</u>	<u>\$ 4,454,023</u>

Schedule 2

**Manning Municipal Light Plant
Investments and Interest Income
For the Year Ended December 31, 2010**

	<u>Investments</u>	<u>Interest</u>
Certificates of deposit, beginning of year	\$ 2,111,482	
Purchases	439,225	
Redemptions	(588,228)	
Certificates of deposit, end of year	\$ <u>1,962,479</u>	\$ 30,334
Other interest income		
City of Manning note		2,690
General checking account		2,613
Savings accounts		69
Cable Utility note		4,600
Manning Betterment Foundation note		<u>2,350</u>
Total interest income		\$ <u>42,656</u>

Schedule 3

**Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>	Increase (Decrease)
PRODUCTION			
Salaries	\$ 17,173	\$ 18,281	\$ (1,108)
Purchased power	1,626,901	1,470,851	156,050
Other expenses	284	321	(37)
Provision for depreciation	27,385	27,852	(467)
Plant utilities	5,398	3,466	1,932
	<u>1,677,141</u>	<u>1,520,771</u>	<u>156,370</u>
DISTRIBUTION			
Salaries	101,568	91,642	9,926
Maintenance salaries for cable utility	3,645	630	3,015
Maintenance materials, labor, overhead	20,407	17,552	2,855
Substation coordination study	-0-	-0-	-0-
Street light maintenance	6,126	3,689	2,437
Truck expense	6,248	4,217	2,031
Provision for depreciation	146,179	146,738	(559)
	<u>284,173</u>	<u>264,468</u>	<u>19,705</u>
ACCOUNTING AND COLLECTION			
Office salaries	24,179	17,228	6,951
Meter reading salaries	4,785	5,412	(627)
Office supplies and billing expenses	903	2,010	(1,107)
Office maintenance	501	719	(218)
Building and shop maintenance	685	30	655
Postage	1,960	2,177	(217)
Rent	6,000	6,000	-0-
Telephone	5,622	4,208	1,414
Computer maintenance and software	5,412	5,193	219
Rate study	1,028	1,350	(322)
	<u>51,075</u>	<u>44,327</u>	<u>6,748</u>

Schedule 3
(Continued)

Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
ADMINISTRATION AND GENERAL			
Salaries	\$ 55,161	\$ 53,171	\$ 1,990
Employee insurance	54,621	47,019	7,602
Property and liability insurance	28,489	25,944	2,545
Audit and accounting services	7,123	7,125	(2)
Legal and professional services	12,083	9,284	2,799
Seminars and meetings	4,757	5,320	(563)
Dues	7,030	7,968	(938)
Uniforms	627	552	75
Trustee fees	2,995	2,995	-0-
Energy efficiency program	3,191	7,598	(4,407)
Legal notices and advertising	1,311	1,000	311
Miscellaneous	441	219	222
Provision for depreciation	15,081	16,452	(1,371)
	<u>192,910</u>	<u>184,647</u>	<u>8,263</u>
Total Operating Expenses	\$ <u>2,205,300</u>	\$ <u>2,014,213</u>	\$ <u>191,087</u>

Schedule 4

**Manning Municipal Light Plant
Comparative Statistical Data
(Unaudited)**

	<u>2010</u>	<u>Year Ended December 31,</u>		<u>2007</u>
	<u>2009</u>	<u>2008</u>		
SOURCES OF KILOWATT HOURS				
KWRS purchased	36,222,681	36,218,533	37,302,899	37,426,533
KWHRs generated	610	1,460	-0-	-0-
Totals	36,223,291	36,219,993	37,302,899	37,426,533
ANALYSIS OF KILOWATT HOURS				
Residential	8,185,889	7,644,242	-0-	-0-
Small commercial	1,907,454	1,692,579	-0-	-0-
Industrial	6,359,662	19,315,214	-0-	-0-
Large commercial	18,362,047	6,106,823	-0-	-0-
Street lights	362,635	354,098	-0-	-0-
Residential	-0-	-0-	8,238,834	7,804,766
Commercial	-0-	-0-	3,274,385	3,212,205
Industrial	-0-	-0-	23,457,744	23,469,336
Municipal	-0-	-0-	915,601	829,184
Subtotals	35,177,687	35,112,956	35,886,564	35,315,491
KWHRs not sold				
Street lights	-0-	-0-	639,649	548,833
Utility plant and office	141,230	173,080	157,720	186,480
Generated	610	1,460	-0-	-0-
Line loss	903,764	932,497	618,966	1,375,729
Subtotals not sold	1,045,604	1,107,037	1,416,335	2,111,042
Totals	36,223,291	36,219,993	37,302,899	37,426,533
LINE LOSS PERCENTAGE				
	2.49%	2.57%	1.66%	3.68%
NUMBER OF CUSTOMERS				
Residential	696	704	-0-	-0-
Small commercial	125	123	-0-	-0-
Industrial	1	1	-0-	-0-
Large commercial	31	39	-0-	-0-
Street lights	1	1	-0-	-0-
Residential	-0-	-0-	748	749
Commercial	-0-	-0-	131	130
Industrial	-0-	-0-	18	18
Municipal	-0-	-0-	13	13
Total	854	868	910	910

The comparative statistical data is the presentation of management. No audit procedures have been applied.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 4, 2011

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

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To the Board of Trustees of the
Manning Municipal Light Plant

I have audited the accompanying financial statements of the Manning Municipal Light Plant as of and for the year ended December 31, 2010, and have issued my report thereon dated March 4, 2011. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Manning Municipal Light Plant's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

March 4, 2011
Manning Municipal Light Plant
Report on Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of Manning Municipal Light Plant's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Light Plant's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Utility's responses, I did not audit the Light Plant's responses and, accordingly, I express no opinion on them.

March 4, 2011
Manning Municipal Light Plant
Report on Internal Control

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Manning Municipal Light Plant and other parties to whom the Utility may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to my by personnel of Manning Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matter, I shall be pleased to discuss them with you at your convenience.

Murphy & Associates, CPA, P.C.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2010**

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that a segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with the staff available.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2010**

Part II: Other Findings Related to Statutory Reporting

- II-A-10 Certified Budget - Total disbursements during the year ended December 31, 2010 did not exceed the amounts budgeted.
- II-B-10 Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No disbursements of Municipal Utility's money for travel expenses of spouses of Municipal Utility's officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Trustee, Rasmussen Lumber, owner	Parts, supplies, tools	\$ 912
Lynn Stein, Trustee, Manning Motor, part owner	Vehicle maintenance	\$ 91
Napa, part owner	Parts, supplies, tools	\$ 512

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Utility's Trustees do not appear to represent conflicts of interest since total transactions were less than \$2,500 per individual during the year.

- II-E-10 Bond Coverage - surety bond coverage of Utility officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2010**

Part II: Other Findings Related to Statutory Reporting (Continued)

II-F-10 Deposits and Investments - The Utility had a money market account held in a Depository outside the state. Chapter 12C of the Code of Iowa requires Utility deposits be held in depositories located in the county in which the Utility is located or in an adjoining county, but if there is no depository in the county in which the Utility is located or in an adjoining county, then in any other depository located in this state which shall be selected as a depository by the Board of Trustees.

Recommendation - The Board of Trustees should follow its own investment policy which states clearly that depositories be located in the State of Iowa and should place those deposits only in allowable depositories.

Response - We will review our investment policy and deposit only in allowable depositories.

Conclusion - Response accepted.

II-G-10 Board Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-H-10 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

